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IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

ADVANCED SEMICONDUCTOR MATERIALS AMERICA, INC., EPSILON TECHNOLOGY, INC. d/b/a ASM EPITAXY,
Petitioners,

vs.

APPLIED MATERIALS, INC.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

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LIST OF THE PARTIES TO THE PROCEEDINGS

The List of Parties to the Proceedings is contained in the Petition for Writ of Certiorari filed with this Court on March 14, 1997.

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SUMMARY OF REPLY

Applied has completely misstated the impact of the GATT legislation. That legislation can have no impact on well over a million unexpired patents and pending patent applications which have yet to issue.

Further, Applied's waiver argument completely ignores ASM's very first substantive argument to the Federal Circuit. By its brief, and at oral argument, ASM gave the Federal Circuit ample opportunity to reconsider its own case law with regard to the question presented by this Petition.

On the merits, Applied has completely ignored the significance of patent expiration. More particularly, Applied did not even attempt to reconcile the Federal Circuit's decision with a century of this Court's precedents. Nor has Applied shown that 35 U.S.C. § 121 overrules those precedents and restricts the public's right to practice the inventions of expired patents.

I.

THE GATT LEGISLATION HAS NO IMPACT ON WELL OVER A MILLION EXISTING PATENTS AND PENDING PATENT APPLICATIONS

Contrary to Applied's argument, the recent GATT legislation has not "effectively mooted" or "effectively eliminated" the question presented. Opp'n at 3. Nor does

the question presented relate only to an "obsolete legal regime." *Id.* As ASM explained in its Petition, over 1.2 million unexpired patents remain unaffected by the GATT amendments. Pet. at 4 n.*. Many of these patents are still issuing every week and will not expire for 17 years.

Moreover, Applied is wrong again when it states that all patents *issued* after June 8, 1995 are governed by the GATT amendments. Opp'n at 6. The GATT amendments apply only to patents *filed* after June 8, 1995. *Uruguay Round Agreement Act* § 534(b)(1), Pub. L. 103-465, 108 Stat. 4990 (Dec. 8, 1994) (reprinted in attached App. E). Applied's misstatement is significant because the vast majority of patents issuing today were filed before June 8, 1995, and are not governed by GATT. Specifically, of the 200,000 patents which have issued since June 8, 1995, nearly 90% are totally unaffected by the GATT amendments. Thus, patents not covered by GATT will persist for decades, until the last pre-GATT patent application issues and expires.

Lastly, Applied's GATT argument fundamentally ignores the question presented — whether the expiration of a patent places the invention in the public domain. GATT does not even remotely address this issue. Even after the full implementation of GATT decades from now, the consequences of patent expiration will remain as significant as ever. If the question presented remains unresolved, the public will practice the inventions of expired patents only at its own peril.

II.

ASM HAS NOT WAIVED THE QUESTION PRESENTED

Applied asserts that ASM never raised the question presented below. To support this argument, Applied submitted to this Court an appendix which consists of a cropped version of ASM's brief before the Federal Circuit. *See* Opp'n at App. C. In that appendix, Applied omitted *the very first substantive argument* presented in ASM's Federal Circuit brief. There, ASM clearly argued that Applied had improperly obtained 31 years of patent protection through double patenting, causing the public to gain nothing upon the expiration of Applied's first two patents.

Specifically, Applied omitted the following section from ASM's brief:

> A. The '609 Patent Is Invalid For Double Patenting
>
> * * *
>
> 2. Applied Has Improperly Gained 31 Years Of Patent Protection
>
> Under the doctrine of double patenting, a patentee is not permitted to obtain two or more

> patents for obvious variants of the same invention unless a terminal disclaimer is filed. *In re Longi*, 759 F.2d 887, 892 (Fed. Cir. 1985). In this way, the patentee is prevented from obtaining more than 17 years' protection for essentially the same invention. Here, through double patenting, Applied has obtained 31 years of protection for its invention. The public gained nothing upon expiration of the '712 and '496 patents in 1988.

ASM Fed. Cir. Br. at 16 (reprinted in attached App. F). Moreover, the Federal Circuit and the parties addressed this argument in detail at oral argument. Thus, contrary to Applied's assertion, ASM gave the Federal Circuit more than "an opportunity to address" the question presented.

Applied's argument is an attempt to fault ASM for not expressly urging the Federal Circuit to overrule its own precedents. ASM, however, was not required to present futile arguments to the Federal Circuit. As ASM explained in its Petition, the Federal Circuit and its predecessor court have steadfastly refused to recognize the public's right to use the inventions of expired patents. Pet. at 14-19. Even Applied concedes this is the Federal Circuit's "settled interpretation" of "established law." Opp'n at 8-9. It makes little sense to require a litigant to burden a court with an argument that the court has consistently rejected for decades. Moreover, ASM was not required to argue in the lower courts every conceivable legal theory underlying its

double-patenting defense. *Bellotti v. Baird*, 428 U.S. 132, 143 n.10 (1976).

Applied also asserts that this Petition "raises issues which ASM squarely conceded below." Opp'n at 7. Again, Applied is incorrect. In the courts below, ASM merely conceded that *Federal Circuit precedent* compelled a very narrow view of the double-patenting doctrine. ASM now seeks review by this Court to overrule those very precedents. ASM should not be punished for its candor in the courts below.

Applied also mischaracterizes ASM's position before this Court. ASM has not abandoned its argument that Applied improperly crossed the "line of consonance" when it amended its application for its 1985 patent. *See* Opp'n at 2. To the contrary, ASM explained in its Petition that this case is particularly egregious precisely because Applied amended its application for its 1985 patent to claim an invention which Applied concedes is not separate and distinct from the invention of its 1971 patent. *See* Pet. at 6, 25.

Applied's waiver argument also ignores the decision of the Federal Circuit itself. The Federal Circuit did not simply accept Applied's "consonance" argument to decide the double-patenting issue. Rather, the Federal Circuit broadly held that any restriction requirement under Section 121 automatically "insulates the ensuing patents from the charge of double patenting," Pet. at A9; it ignored ASM's express argument conceded by Applied that the apparatus

of the 1971 patent could do nothing except perform the process of the 1985 patent; and it rejected as immaterial the undisputed fact that the claimed inventions of the two patents were not independent and distinct as expressly required by Section 121. *Id.* at A10. Plainly, this Court has the authority to review the Federal Circuit's actual holding.

III.

APPLIED'S ARGUMENT ON THE MERITS COMPLETELY IGNORES THE SIGNIFICANCE OF PATENT EXPIRATION

A. Applied Has Failed To Reconcile The Federal Circuit's Decision With A Century Of This Court's Controlling Precedents

Applied, like the Federal Circuit and its predecessor court, assume that patent expiration is an event of no significance. Applied baldly asserts, without citation, that "it is simply impossible that the expiration of a patent confers on *non*-inventors the absolute right to use the patented invention." Opp'n at 12. Yet, that is precisely the holding of 100 years of this Court's precedents, quoted and cited extensively in ASM's Petition. *See* Pet. at 12-14.

For example, ASM quoted this Court's decision in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), where this Court criticized the Federal Circuit for refusing to acknowledge the public's right:

> For almost 100 years it has been well established that in the case of an expired patent, the federal patent laws *do* create a federal right to "copy and to use." . . . The [Federal Circuit's] assertion to the contrary is puzzling . . . .

Id. at 165 (emphasis in original). Similarly, ASM quoted this Court's seminal decision in *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896), in which this Court held:

> on the termination of the patent there passes to the public the right to make the machine in the form in which it was constructed during the patent.

Applied has not even addressed these clear and unequivocal holdings. *See* Opp'n at 11-12. Like the Federal Circuit, Applied simply assumes that this Court's 100 years of precedent are so clearly wrong that they can be dismissed by mere force of argument without citation to authority. However, neither Applied nor the Federal Circuit is free to ignore this Court's precedents merely because they disagree with them.

Similarly, Applied asserts that it is an "undeniable fact" that patents "routinely preclude the public from using the inventions of . . . expired patents." Opp'n at 13. Again, Applied makes no effort to reconcile this assertion with this Court's century of precedents, particularly *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945).

Instead, to support this "undeniable fact," Applied merely points to one of the lower court decisions which ASM has shown is irreconcilable with this Court's precedents. In particular, Applied relies upon Judge Rich's statement in *In re Heinle*, 342 F.2d 1001 (CCPA 1965), that "expiration of a patent is not a guarantee of a right to use." *Id.* at 1005 (quoted in Opp'n at 13). Applied's view that *Heinle* trumps *Bonito Boats* and this Court's other precedents is obviously incorrect.

Remarkably, Applied dismisses this Court's precedents in only a single string-cite, calling each of these many decisions as mere "dicta." *Id.* at 13-14. Yet, in each and every one of the cited cases, the public's right to copy the inventions of expired patents was central to this Court's decision. Applied has offered no support whatsoever for its conclusory assertion to the contrary.

Moreover, Applied's own characterization of this Court's decisions confirms their applicability to this case. ASM agrees that the cited cases "all involve improper efforts to prolong the rights of an expired patent which have no basis at all in the patent laws generally, or section 121 specifically." *Id.* at 13. Applied, too, has engaged in "improper efforts to prolong the rights" of its expired 1971 patent. The Federal Circuit condoned this activity, in violation of this Court's precedents, which is precisely why ASM filed this Petition.

B. Applied's Analysis Of Section 121 Is Meritless

Applied asserts that the Federal Circuit's departure from this Court's precedents is compelled by the "plain language" of 35 U.S.C. § 121. *See* Opp'n at 14-15. Yet, the language on which Applied relies is anything but "plain." Section 121 states only that a divisional patent application "shall not be used as a reference" against related divisional applications. 35 U.S.C. § 121. This cryptic language is hardly "a clear and certain signal from Congress" necessary to widen "the beachhead of privilege" and narrow "the area of public use." *Parker v. Flook*, 437 U.S. 584, 596 (1978).

More fundamentally, even under Applied's interpretation of Section 121, that statute and its legislative history simply do not address the consequences of patent *expiration*. Section 121 does not address, let alone revoke, the public's right to use the inventions of expired patents, a right which this Court has repeatedly safeguarded both before and after the enactment of Section 121.

In addition, Applied completely ignores the much clearer provision of Section 121 which authorizes a restriction requirement only in cases in which a patent application contains two "independent and distinct inventions." 35 U.S.C. § 121. Here, Applied *concedes* that the inventions claimed in its 1971 and 1985 patents are not independent and distinct. Pet. at A35 & n.3. If Applied had been candid and made such a concession before the Patent Office, the Patent Office would have

withdrawn the restriction requirement. *In re Lee*, 199 U.S.P.Q. 108, 109 (Comm'r Pat. 1978); *Manual of Patent Examining Procedure* § 803 (citing *Lee*). Thus, Applied would have received only a single patent, which would have expired long ago.

CONCLUSION

Applied has said nothing to undermine the importance of the Question Presented or to reconcile the Federal Circuit's errant holdings with this Court's 100 years of precedents. Accordingly, this Petition should be granted.

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DATED: April 29, 1997

APPENDIX E

SEC. 532. PATENT TERM AND INTERNAL PRIORITY.

(a) PATENT RIGHTS.—

(1) CONTENTS AND TERM OF PATENT.—Section 154 of title 35, United States Code, is amended to read as follows:

"§ 154. Contents and term of patent

"(a) IN GENERAL.—

* * *

"(2) TERM.—Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, or 365(c) of this title, from the date on which the earliest such application was filed.

* * *

SEC. 534. EFFECTIVE DATES AND APPLICATION.

(a) IN GENERAL.—

* * *

(b) PATENT APPLICATIONS.—

(1) IN GENERAL.—Subject to Paragraph (2), the amendments made by section 532 shall take effect on the date that is 6 months after the date of the enactment of this Act [June 8, 1995] and shall apply to all patent applications *filed* in the United States on or after the effective date.

* * *

Uruguay Round Agreement Act § 534(b)(1), Pub. L. 103-465, 108 Stat. 4983-84, 4990 (Dec. 8, 1994) (emphasis added).

APPENDIX F

IV. ARGUMENT

A. The '609 Patent Is Invalid For Double Patenting

1. Standard Of Review

Whether the '609 patent claims are invalid for double patenting is determined by comparing the PTO restriction requirement with the requirements of the Manual of Patent Examining Procedure ("MPEP") and the statute (35 U.S.C. § 121) to determine where the line of demarcation between the "independent and distinct inventions" was drawn by the Examiner. *Symbol Tech., Inc. v. Opticon, Inc.*, 935 F.2d 1569, 1579 (Fed. Cir. 1991). These are questions of law, reviewable *de novo*. *Texas Instr., Inc. v. United States Int'l Trade Comm'n*, 988 F.2d 1165, 1179 (Fed. Cir. 1993).

2. Applied Has Improperly Gained 31 Years of Patent Protection

Under the doctrine of double patenting, a patentee is not permitted to obtain two or more separate patents for obvious variants of the same invention unless a terminal disclaimer is filed. *In Re Longi*, 759 F.2d 887, 892 (Fed. Cir. 1985). In this way, the patentee is prevented from obtaining more than 17 years' protection for essentially the same invention. Here, through double patenting, Applied has obtained 31 years of protection for its invention. The public gained nothing upon expiration of the '712 and '496 patents in 1988.

3. Section 121 Does Not Immunize The '609 Patent From Double Patenting

* * *